

House File 679 - Introduced

HOUSE FILE 679

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HF 641)

(SUCCESSOR TO HSB 23)

A BILL FOR

1 An Act relating to the economic development authority,
2 including certain tax credit programs, the Iowa wine, beer,
3 and spirits promotion board, and the beer and liquor control
4 fund, and including applicability provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I
TAX CREDITS

Section 1. Section 15.119, subsection 2, paragraph h, Code 2023, is amended to read as follows:

h. The renewable chemical production tax credit program administered pursuant to [sections 15.315 through 15.322](#). In allocating tax credits pursuant to [this subsection](#) for the fiscal year beginning July 1, 2021, and for each fiscal year ~~thereafter~~ beginning before July 1, 2037, the authority shall not allocate more than five million dollars for purposes of this paragraph. This paragraph is repealed July 1, ~~2030~~ 2039.

Sec. 2. Section 15.316, subsection 3, Code 2023, is amended to read as follows:

3. "*Building block chemical*" means a molecule converted from biomass feedstock as a first product or a secondarily derived product that can be further refined into a higher-value chemical, material, or consumer product. "*Building block chemical*" includes but is not limited to high-purity glycerol, oleic acid, lauric acid, methanoic or formic acid, arabonic acid, erythronic acid, glyceric acid, glycolic acid, lactic acid, 3-hydroxypropionate, propionic acid, malonic acid, ~~serine~~, succinic acid, fumaric acid, malic acid, aspartic acid, 3-hydroxybutyrolactone, acetoin, ~~threonine~~, itaconic acid, furfural, levulinic acid, glutamic acid, xylonic acid, xylaric acid, xylitol, arabitol, citric acid, aconitic acid, 5-hydroxymethylfurfural, ~~lysine~~, gluconic acid, glucaric acid, sorbitol, gallic acid, ferulic acid, butyric acid, nonfuel butanol, ~~nonfuel ethanol~~, or such additional molecules as may be included by the authority by rule after consultation with appropriate experts from Iowa state university, including but not limited to the Iowa state university center for biorenewable chemicals.

Sec. 3. Section 15.318, subsection 1, Code 2023, is amended by adding the following new paragraph:

NEW PARAGRAPH. *f.* All complete applications submitted

1 by eligible businesses shall be reviewed and scored on a
2 competitive basis by the authority pursuant to rules adopted
3 by the authority.

4 Sec. 4. Section 15.318, subsection 2, paragraphs c and d,
5 Code 2023, are amended to read as follows:

6 c. An eligible business shall fulfill all the requirements
7 of the program and the agreement before ~~receiving the authority~~
8 issues the business a tax credit certificate or entering enters
9 into a subsequent agreement with the business under this
10 section. The authority may decline to enter into a subsequent
11 agreement with the business under this section or to issue a
12 tax credit if an agreement is not successfully fulfilled.

13 d. Upon establishing that all requirements of the program
14 and the agreement have been fulfilled, the authority shall
15 issue a tax credit ~~and related tax credit~~ certificate to the
16 eligible business stating the amount of renewable chemical
17 production tax credit the eligible business may claim.

18 Sec. 5. Section 15.318, subsection 3, paragraphs a, d, and
19 e, Code 2023, are amended to read as follows:

20 a. The maximum amount of tax credit that the authority may
21 ~~be issued~~ issue under section 15.319 to an eligible business
22 for the production of renewable chemicals in a calendar year
23 ~~shall not exceed the following:~~

24 ~~(1) In the case of an eligible business that has been in~~
25 ~~operation in the state for five years or less at the time of~~
26 ~~application,~~ is one million dollars.

27 ~~(2) In the case of an eligible business that has been in~~
28 ~~operation in the state for more than five years at the time of~~
29 ~~application,~~ five hundred thousand dollars.

30 ~~d. An~~ The authority shall not issue an eligible business
31 ~~shall not receive more than five tax credits~~ credit
32 certificates under the program.

33 ~~e. The authority shall issue tax credits under the program~~
34 ~~on a first-come, first-served basis until the maximum amount of~~
35 ~~tax credits allocated pursuant to section 15.119, subsection~~

1 ~~2, paragraph "h", is reached. The authority shall maintain a~~
2 ~~list of successful applicants under the program, so that if the~~
3 ~~maximum aggregate amount of tax credits is reached in a given~~
4 ~~fiscal year, eligible businesses that successfully applied~~
5 ~~but for which tax credits were not issued shall be placed on~~
6 ~~a wait list in the order the eligible businesses applied and~~
7 ~~shall be given priority for receiving tax credits in succeeding~~
8 ~~fiscal years. Placement on a wait list pursuant to this~~
9 ~~paragraph shall not constitute a promise binding the state.~~
10 ~~The availability of a tax credit and issuance of a tax credit~~
11 ~~certificate pursuant to [this subsection](#) in a future fiscal year~~
12 ~~is contingent upon the availability of tax credits in that~~
13 ~~particular fiscal year. In each fiscal year beginning on or~~
14 ~~after July 1, 2023, and ending on or before June 30, 2036, the~~
15 ~~authority may award an amount of tax credits under the program~~
16 ~~not to exceed the maximum aggregate amount allocated in section~~
17 ~~15.119, subsection 2, paragraph "h".~~

18 Sec. 6. Section 15.319, subsection 1, Code 2023, is amended
19 to read as follows:

20 1. An eligible business that has entered into an agreement
21 pursuant to [section 15.318](#) may claim a tax credit in an amount
22 equal to the product of five cents multiplied by the number
23 of pounds of renewable chemicals produced in this state from
24 biomass feedstock by the eligible business during the calendar
25 year in excess of the eligible business's pre-eligibility
26 production threshold. However, an eligible business shall
27 not receive a tax credit for the production of a secondarily
28 derived building block chemical if that chemical is also the
29 subject of a credit at the time of production as a first
30 product. The renewable chemical production tax credit shall
31 not be available for any renewable chemical produced before the
32 2017 calendar year or after the ~~2026~~ 2035 calendar year.

33 Sec. 7. Section 15.320, subsection 1, Code 2023, is amended
34 to read as follows:

35 1. For purposes of [this section](#), "*successful tax credit*

1 *applicant* includes, with respect to each calendar year, an
2 eligible business that was issued a tax credit certificate for
3 production of renewable chemicals during that calendar year,
4 ~~and an eligible business that successfully applied for a tax~~
5 ~~credit for the production of renewable chemicals during that~~
6 ~~calendar year, but was not issued a tax credit and was instead~~
7 ~~placed on a wait list pursuant to section 15.318, subsection~~
8 ~~3, paragraph "e".~~

9 Sec. 8. Section 15.320, subsection 2, Code 2023, is amended
10 by striking the subsection and inserting in lieu thereof the
11 following:

12 2. By January 31 of each year, the board, in cooperation
13 with the department of revenue, shall submit to the general
14 assembly and to the governor a report describing the activities
15 of the program for the most recent calendar year for which the
16 tax credit application period has ended pursuant to section
17 15.318, subsection 1, paragraph "d". The report shall, at a
18 minimum, include the following information:

19 a. The aggregate number of pounds, and a list of each type,
20 of renewable chemicals produced in Iowa by all successful
21 tax credit applicants during the calendar year prior to the
22 calendar year for which the successful applicants first applied
23 for a tax credit under the program.

24 b. The aggregate number of pounds, and a list of each type,
25 of renewable chemicals produced in Iowa by all successful tax
26 credit applicants during each calendar year.

27 c. The number of employees located in Iowa of all successful
28 tax credit applicants during the calendar year prior to the
29 calendar year for which the successful applicants first applied
30 for a tax credit under the program.

31 d. The number of employees located in Iowa of all successful
32 tax credit applicants during each calendar year.

33 e. For each eligible business issued a renewable chemical
34 production tax credit during each calendar year:

35 (1) The identity of the eligible business.

1 (2) The amount of the tax credit.

2 (3) The manner in which the eligible business first
3 qualified as an eligible business under section 15.317,
4 subsection 4, whether by organizing, expanding, or locating in
5 the state.

6 *f.* The total amount of all renewable chemical production tax
7 credits claimed during each calendar year, and the portion of
8 each claim issued as a refund.

9 Sec. 9. Section 15.320, subsection 3, Code 2023, is amended
10 to read as follows:

11 3. To protect the presumption of confidentiality
12 established in [section 15.318, subsection 5](#), the board shall
13 report all information in an aggregate form to prevent,
14 as much as possible, information being attributable to any
15 particular eligible business, except as provided in subsection
16 2, paragraph ~~"k"~~ "e".

17 Sec. 10. Section 15.322, Code 2023, is amended to read as
18 follows:

19 **15.322 Future repeal.**

20 Section 15.315, [15.316](#), [15.317](#), [15.318](#), [15.319](#), [15.320](#),
21 [15.321](#), and [this section](#), are repealed July 1, ~~2030~~ 2039.

22 Sec. 11. Section 15E.52, subsection 1, paragraph c, Code
23 2023, is amended to read as follows:

24 *c.* *"Innovative business"* means a business applying novel
25 or original methods to the manufacture of a product or the
26 delivery of a service. *"Innovative business"* includes but is
27 not limited to a business engaged in the industries of advanced
28 manufacturing, biosciences, ~~and~~ information technology, or
29 educational technology.

30 Sec. 12. Section 15E.52, subsection 5, paragraph a, Code
31 2023, is amended to read as follows:

32 *a.* To receive a tax credit, a taxpayer must submit an
33 application to the board. The board shall issue certificates
34 under [this section](#) on a first-come, first-served basis, which
35 certificates may be redeemed for tax credits. The board shall

1 issue such certificates so that not more than the amount
2 allocated for such tax credits under section 15.119, subsection
3 2, may be claimed. ~~The board shall not issue a certificate~~
4 ~~before September 1, 2014.~~

5 Sec. 13. Section 15E.52, subsection 5, paragraph b, Code
6 2023, is amended by striking the paragraph.

7 Sec. 14. Section 15E.52, subsection 8, Code 2023, is amended
8 to read as follows:

9 8. The board shall not certify an innovation fund after June
10 30, ~~2023~~ 2028.

11 Sec. 15. Section 15E.52, subsection 10, paragraph b, Code
12 2023, is amended by striking the paragraph.

13 Sec. 16. Section 422.10B, Code 2023, is amended to read as
14 follows:

15 **422.10B Renewable chemical production tax credit.**

16 The taxes imposed under [this subchapter](#), less the credits
17 allowed under [section 422.12](#), shall be reduced by a renewable
18 chemical production tax credit allowed under [section 15.319](#).
19 This section is repealed January 1, ~~2033~~ 2041.

20 Sec. 17. Section 422.33, subsection 22, Code 2023, is
21 amended to read as follows:

22 22. The taxes imposed under [this subchapter](#) shall be reduced
23 by a renewable chemical production tax credit allowed under
24 section 15.319. [This subsection](#) is repealed January 1, ~~2033~~
25 2041.

26 Sec. 18. APPLICABILITY.

27 1. The following apply to all applications submitted to the
28 renewable chemical production tax credit program on or after
29 July 1, 2023:

30 a. The section of this division of this Act amending section
31 15.316, subsection 3.

32 b. The section of this division of this Act amending section
33 15.318, subsection 1.

34 c. The section of this division of this Act amending section
35 15.318, subsection 3, paragraphs "a", "d", and "e".

1 2. The following apply to all eligible businesses placed on
2 a wait list pursuant to section 15.318, subsection 3, paragraph
3 "e", on or before June 30, 2023:

4 a. The portion of the section of this division of this Act
5 amending section 15.318, subsection 3, paragraph "e".

6 b. The section of this division of this Act amending section
7 15.320, subsection 1.

8 3. The following applies to all applications submitted
9 to the economic development authority's board for innovation
10 fund investment tax credits, administered pursuant to section
11 15E.52, on or after July 1, 2023:

12 The section of this division of this Act amending section
13 15E.52, subsection 1, paragraph "c".

14 4. The following applies to all applications submitted for
15 innovation fund tax credits, administered pursuant to section
16 15E.52, placed on a wait list pursuant to section 15E.52,
17 subsection 5, paragraph "b":

18 The section of this division of this Act amending section
19 15E.52, subsection 5, paragraph "b".

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DIVISION II

21

IOWA WINE, BEER, AND SPIRITS PROMOTION BOARD

22 Sec. 19. Section 15E.116, Code 2023, is amended to read as
23 follows:

24 **15E.116 Iowa wine, and beer, and spirits promotion board.**

25 An Iowa wine, and beer, and spirits promotion board is
26 created. The board consists of ~~three~~ four members appointed
27 by the director of the ~~economic development~~ authority. Each
28 member shall serve a term of two years on the board. One member
29 shall represent the authority, one member shall represent ~~the~~
30 Iowa wine makers, and one member shall represent ~~the~~ Iowa beer
31 makers, and one member shall represent Iowa distilleries. The
32 board shall advise the authority on the best means to promote
33 wine, and beer, and spirits made in Iowa.

34 Sec. 20. Section 15E.117, Code 2023, is amended to read as
35 follows:

1 rather than the end of calendar year 2026.

2 Under the bill, serine, threonine, lysine, and nonfuel
3 ethanol are removed from the definition of "building block
4 chemical" for purposes of the renewable chemical program
5 (chemical program). All completed applications submitted by
6 eligible businesses to the chemical program must be reviewed
7 and scored on a competitive basis by the authority pursuant to
8 rules adopted by the authority, and \$1 million is the maximum
9 amount of credit that may be issued to an eligible business in
10 a calendar year. Under current law, if an eligible business
11 has been in operation in the state for five years or less at
12 the time of application, the maximum credit is \$1 million. If
13 the business has been in operation more than five years, the
14 maximum is \$500,000. The bill eliminates the wait list the
15 authority must currently maintain for the chemical program.
16 Under the bill, the authority may award an amount of credits
17 under the chemical program not to exceed the maximum aggregate
18 amount allocated in Code section 15.119(2)(h) for each fiscal
19 year beginning on or after July 1, 2023, and ending on or
20 before June 30, 2036. Information regarding the chemical
21 program that must be submitted to the general assembly and
22 to the governor by January 31 each year is detailed in the
23 bill and differs from the requirements under current law. The
24 future repeal of the chemical program is extended from July 1,
25 2030, to July 1, 2039. The bill extends the future repeal of
26 the chemical program credit allowed under Code sections 422.10B
27 and 422.33 from January 1, 2033, to January 1, 2041.

28 For purposes of innovation fund investment credits, the
29 bill adds "educational technology" to the definition of
30 "innovative business". The bill eliminates the wait list
31 for the innovation fund tax credit and extends the time the
32 authority's board may certify an innovation fund from June 30,
33 2023, to June 30, 2028.

34 The bill makes conforming changes to Code sections
35 15.318(2)(c)-(d), and 15.354(4)(a)-(f).

1 The sections of this division of the bill amending Code
2 sections 15.316(3), 15.318(1), 15.318(3)(a), 15.318(3)(d),
3 and 15.318(3)(e) apply to all applications submitted to the
4 chemical program on or after July 1, 2023. The sections of the
5 division of the bill amending Code sections 15.318(3)(e) and
6 15.320(1) apply to all eligible businesses placed on a wait
7 list for the program pursuant to Code section 15.318(3)(e) on
8 or before June 30, 2023.

9 The section of this division of the bill amending Code
10 section 15E.52(1)(c) applies to all applications submitted
11 to the authority's board for innovation fund investment tax
12 credits, administered pursuant to Code section 15E.52, on or
13 after July 1, 2023. The section of this division of the bill
14 amending Code section 15E.52(5)(b) applies to all applications
15 submitted for innovation fund tax credits, administered
16 pursuant to Code section 15E.52, placed on a wait list pursuant
17 to Code section 15E.52(5)(b).

18 DIVISION II — IOWA WINE, BEER, AND SPIRITS PROMOTION
19 BOARD. This division of the bill modifies the Iowa wine and
20 beer promotion board (promotion board) by adding spirits, and
21 adds a fourth member to the promotion board to represent Iowa
22 distilleries. The current promotion board has three members.
23 In addition to advising the authority on the promotion of
24 Iowa-made beer and wine, the bill requires the promotion board
25 to advise the authority on the promotion of spirits made in
26 Iowa. The authority must consult with the promotion board on
27 the best means to promote spirits made in Iowa, and permits the
28 authority to contract with private persons for the promotion
29 of spirits made in Iowa.

30 The bill requires the department of commerce, after certain
31 other transfers required by current law from the beer and
32 liquor control fund are made, to transfer to the authority the
33 lesser of \$250,000 or 1 percent of the gross sales of native
34 distilled spirits by all class "A" native distilled spirits
35 license holders made by the alcoholic beverages division. The

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1 transferred moneys may be used by the authority to promote
2 wine, beer, and spirits made in Iowa, and for administrative
3 expenses related to such promotion.